

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57906

TOWN OF SPANGLE

Spokane County, Washington

January 1, 1994 Through December 31, 1995

Issue Date: December 20, 1996

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TOWN OF SPANGLE
Spokane County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Mayor
Town of Spangle
Spangle, Washington

We have audited the financial statements, as listed in the table of contents, of the Town of Spangle, Spokane County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated July 12, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the town complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the town's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the town and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the town complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the town had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 12, 1996

TOWN OF SPANGLE
Spokane County, Washington
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. The Town Should Not Expend Public Funds For Private Benefit

During our review of the town's water and sewer utility services we noted the following instances where the town council did not collect for public works projects and improperly forgave or reduced accounts receivable.

- a. In 1993, the town council approved utility connections to a new residence for the relative of one council member with knowledge that the payment for the hook-up fees would be waived. The town contracted with and paid the contractor for installation of the water and sewer lines on private property. The project was completed in June 1994. The total amount of this gift was \$9,410.
- b. In July 1994, the town council approved repairs in the amount of \$509 to a water line on private property at the town's expense. The town's public works department completed the repair and did not bill the citizen for the cost of the project.
- c. In May 1995, the town council approved installation costs of \$415 for a water line on private property at the town's expense. The property owner was not billed for the cost of this installation.
- d. In February 1995, the town council forgave water use charges generated by a local business in the amount of \$2,572 at the request of the business owner. The owner did not accept the partial settlement from the town. The business subsequently closed but a balance of \$1,500 remains outstanding on the account. The town has failed to file a lien against the property for any part of the \$4,072 as required by the town's ordinance.

Article VIII, Section 7 of the Washington State Constitution states in part:

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company, or corporation, except for the necessary support of the poor and infirm

Town Ordinance 290 states in part:

... hereafter, the property owner(s) shall be responsible for the installation and lateral sewer line installation from the property line to the existing sewer main. The cost shall be estimated by the Water Superintendent and the estimate shall be paid to the Town Treasurer by the person applying for such installation before the work of connecting the existing sewer main with the property is begun

The town has violated its own policies by not requiring citizens to pay for hook-up fees, line repairs, and utility bills. The town has not sought reimbursement on these projects. In addition, the activities result in a direct violation of the state constitution and loss of revenue to the town.

We recommend the town explore appropriate legal remedies in an effort to recover the full amount of the hook-up fees and water use charges that are owed to the town.

Auditee's Response

The Town of Spangle is currently taking action on four different issues brought to our attention by the state auditors. All four issues relate to gift of public funds. At this time, two of the incidents cited are being refilled and further action will be taken on these depending on their response. The motel owner who has not been cooperative is being subjected to a law suit initiated by the town and the fourth issue is being reinvestigated to determine exactly what costs need to be billed to the resident.

Auditor's Concluding Remarks:

We thank the town for their timely response to the conditions discussed in our finding. We will review these areas in our next regularly scheduled audit.

TOWN OF SPANGLE
Spokane County, Washington
January 1, 1994 Through December 31, 1995

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. Town Officials Should Prepare And Submit Required Annual Financial Reports

Resolution: *Resolved*

TOWN OF SPANGLE
Spokane County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Mayor
Town of Spangle
Spangle, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the Town of Spangle, Spokane County, Washington, for the fiscal years ended December 31, 1995 and 1994. These financial statements are the responsibility of the town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the town prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the Town of Spangle for the fiscal years ended December 31, 1995 and 1994, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

July 12, 1996